

## Request for City Council Action

Date: September 19, 2002

To: Council Member Lisa Goodman, Community Development Committee

Prepared by Dollie Crowther, Senior Project Coordinator, Phone 612-673-5263

Approved by Chuck Lutz, MCDA Interim Executive Director \_\_\_\_\_

**Subject: Public Hearing and Request for Approval to Refinance up to \$4,475,000 of Tax Exempt Multifamily Entitlement Rental Housing Revenue bonds and \$300,000 in Taxable Bonds for the Driftwood Apartments Project ("City Limits")**

**Previous Directives:** On November 23, 1994, the City Council gave final approval of up to \$6,900,000 of Tax Exempt Multi-family Housing Revenue Entitlement Bonds for the Driftwood Apartments.

**Ward:** Yes, Ward 11.

**Neighborhood Group Notification:** Windom Community Council was notified and will meet to approve this project on September 12, 2002.

**Consistency with *Building a City That Works*:** Provide a diversity of housing choices within each community by providing financial assistance to help maintain and construct new rental housing opportunities.

**Comprehensive Plan Compliance:** Project will comply.

**Zoning Code Compliance:** Complies.

**Impact on MCDA Budget:** (Check those that apply)

- ☐ No financial impact
- ☐ Action requires an appropriation increase to the MCDA Budget
- ☐ Action provides increased revenue for appropriation increase
- ☐ Action requires use of contingency or reserves
- ☒ Other financial impact (Explain):

(Annual bond fees will be collected when the bonds are issued.)

**Living Wage / Business Subsidy:** Not applicable.

**Job Linkage:** Not applicable.

**Affirmative Action Compliance:** Complies.

**RECOMMENDATION: City Council Recommendation:** The Interim Executive Director recommends that the City Council adopt the attached resolution giving approval of the refunding of up to \$4,475,000 in tax exempt Multi-family Housing Revenue Entitlement Bonds and approval of an amount not to exceed \$300,000 in Taxable Bonds for the Driftwood Apartments Project. Summary publication of the resolution is recommended.

Dear Council Member Goodman:

### **Project Description**

Driftwood Partners Limited Partnership, a Minnesota Limited Partnership located at 101 and 135 East 59<sup>th</sup> Street received \$5,230,000 of Multi-family Entitlement Rental Housing Revenue Bonds in 1994 for the acquisition and rehabilitation of six buildings containing 198 units (36 - 1-bedroom and 162 - 2-bedroom). The property, originally called the Driftwood Apartments has since changed its name to city Limits and the owner over the last seven years has continued to put capital improvements into the project. This includes fencing, tile work, new doors, new roof, landscaping, etc.

### **Financing**

Driftwood Partners Limited Partnership has proposed that the City issue and sell its revenue bonds for the purpose of refinancing the existing bonds at a variable rate. The refinancing will allow the limited partnership to refund the outstanding principal balance of the Series 1994 bonds (prior bonds). The Bonds will be secured by a Letter of Credit issued by U.S. Bank. The Bonds will have a 22 year term with a single maturity in the final year.

### **HRB Entitlement**

The Bond issue is a refinancing of prior Entitlement bonds, therefore no Entitlement is needed.

### **Bond Counsel**

Briggs & Morgan

### **Underwriter**

Appelbaum, McMullen

### **Council Member Informed -**

Ward 11

**RECOMMENDATION: City Council Recommendation:** The Interim Executive Director recommends that the City Council adopt the attached resolution giving approval of the refunding of up to \$4,475,000 in tax exempt Multi-family Housing Revenue Entitlement Bonds and approval of an amount not to exceed \$300,000 in

**Taxable Bonds for the Driftwood Apartments Project. Summary publication of the resolution is recommended.**

For further information, please contact Dollie Crowther at (612) 673-5263.

AUTHORIZING THE ISSUANCE AND SALE OF  
VARIABLE RATE DEMAND MULTIFAMILY HOUSING  
REVENUE REFUNDING BONDS  
(DRIFTWOOD APARTMENTS PROJECT)  
SERIES 2002

1. **Authority.** The City of Minneapolis, Minnesota (the "City") is, by the Constitution and laws of the State of Minnesota, including Minnesota Statutes, Section 462C, as amended (the "Act"), authorized to issue and sell its revenue bonds for the purpose of financing and refinancing multifamily rental housing developments within the boundaries of the City and to enter into agreements necessary or convenient in the exercise of the powers granted by the Act.

2. **Authorization of Project; Documents Presented.** Driftwood Partners Limited Partnership, a Minnesota limited partnership (the "Company") has proposed that the City issue and sell its Variable Rate Demand Multifamily Housing Revenue Refunding Bonds (Driftwood Apartments Project) Series 2002A (the "Series 2002A Bonds") to be issued in one or more series, in an amount not to exceed \$4,475,000 and its Taxable Variable Rate Demand Multifamily Housing Revenue Refunding Bonds (Driftwood Apartments Project) Series 2002B (the "Series 2002B Bonds" and together with the Series 2002A Bonds, the "Bonds") to be issued in one or more series, in an amount not to exceed \$300,000, in substantially the forms set forth in the Indenture as hereafter described. The Bonds will be issued pursuant to the Act and the proceeds thereof loaned to the Company to (i) refund the outstanding principal balance of the City's \$5,230,000 Rental Housing Revenue Bonds, Series 1994 (Driftwood Apartments Project) (the "Prior Bonds") which were issued to finance the acquisition and renovation of the 198-unit multifamily housing facility known as Driftwood Apartments located at 101 to 135 East 59<sup>th</sup> Street in the City of Minneapolis (the "Project") and (ii) to finance costs of issuance of the Bonds. Forms of the following documents relating to the Bonds have been submitted to the City:

(a) Loan Agreement (the "Loan Agreement") dated as of September 1, 2002 between the City and the Company, whereby the City agrees to make a loan to the Company of the gross proceeds of sale of the Bonds and the Company agrees to pay amounts in repayment of the loan sufficient to provide for the full and prompt payment of the principal of, premium, if any, and interest on the Bonds; and

(b) Indenture of Trust (the "Indenture") dated as of September 1, 2002, between the City and U.S. Bank National Association, as trustee (the "Trustee"), authorizing the issuance of and pledging certain revenues, including those to be derived from the Loan Agreement, as security for the Bonds, and setting forth proposed recitals, covenants and agreements relating thereto; and

(c) Amendment to Regulatory Agreement (the "Regulatory Agreement") among the City, the Trustee and the Company, amending the Amended and Restated Regulatory Agreement relating to the Prior Bonds which sets forth certain low and moderate income tenant occupancy requirements with respect to the Project; and

(d) Bond Purchase Agreement (the "Bond Purchase Agreement") among U.S. Bancorp Piper Jaffray Inc. (the "Underwriter"), the Company and the City, providing for the purchase of the Bonds from the City by the Underwriter and setting the terms and conditions of purchase; and

(e) Official Statement relating to the Bonds.

3. **Findings.** It is hereby found, determined and declared that:

(a) The Project constitutes a Project authorized by and described in the Act as multifamily rental housing.

(b) It is desirable that the Bonds be issued by the City upon the terms set forth in the Indenture, under the provisions of which the City's interest in the Loan Agreement will be pledged to the Trustee as security for the payment of principal of, premium, if any, and interest on the Bonds.

(c) Under the provisions of the Act, and as provided in the Loan Agreement and Indenture, the Bonds are not to be payable from nor charged upon any funds of the City, other than amounts payable pursuant to the Loan Agreement and moneys in the funds and accounts held by the Trustee which are pledged to the payment thereof; nor is the City subject to any liability thereon; no owners of the Bonds shall ever have the right to compel the exercise of the taxing power of the City to pay any of the Bonds or the interest thereon, nor to enforce payment thereof against any property of the City; the Bonds shall not constitute a charge, lien or encumbrance, legal or equitable, upon any property of the City (other than the interest of the City in the Loan Repayments to be made by the Company under the Loan Agreement); and each Bond issued under the Indenture shall recite that such Bond, including interest thereon, shall not constitute or give rise to a charge against the general credit or taxing powers of the City.

4. **Approval of Forms; Execution.** Subject to the approval of the City Attorney, and the provisions of paragraph 7 hereof, the forms of the documents and exhibits thereto and all other documents listed in paragraph 2 hereof (the "Financing Documents") are approved substantially in the form submitted. Subject to the provisions of paragraph 8 hereof, the Financing Documents, in substantially the forms submitted, are directed to be executed in the name and on behalf of the City by the Mayor, Finance Officer and Clerk (the "Officials"). Subject to the provisions of paragraph 7 hereof, the Bonds are to be executed in the name of and on behalf of the City by the Officials and are to be delivered to the Trustee for authentication and delivery to the Underwriter. Any other City documents and certificates necessary to the transaction described above may be executed by the appropriate City Officials. Copies of all of the documents necessary to the transaction herein described shall be delivered, filed and recorded as provided herein and in the Loan Agreement and Indenture.

5. **Approval, Execution and Delivery of Bonds.** The City shall proceed forthwith to issue the Bonds in the forms and upon the terms set forth in the Indenture, which terms are for this purpose incorporated in this resolution and made a part hereof; provided, however, that the initial aggregate principal amount of the Series 2002A Bonds shall not exceed

\$4,475,000, the final maturity shall not be later than October 1, 2032, the net effective rate of the tax exempt bonds shall not be greater than 12%, and the underwriter's discount shall not exceed 2.00% of the principal amount of the Series 2002A Bonds and that the initial aggregate principal amount of the Series 2002B Bonds shall not exceed \$300,000, the final maturity shall not be later than October 1, 2017, the net effective rate of the taxable bonds shall not be greater than 15%, and the underwriter's discount shall not exceed 2.00% of the principal amount of the Series 2002B Bonds. Subject to the foregoing, the principal amounts of the Bonds, the series designations, the maturities, the interest rates thereon, and any provisions for the optional or mandatory redemption thereof shall all be as set forth in the final form of the Indenture to be approved, executed and delivered by the City Officials. The Underwriter has agreed pursuant to the provisions of the Bond Purchase Agreement, and subject to the conditions therein set forth, to purchase the Bonds at the purchase price set forth in the Bond Purchase Agreement, and such purchase price is hereby accepted. The City Officials are authorized and directed to prepare and execute the Bonds as prescribed in the Indenture and to deliver them to the Trustee, together with a certified copy of this Resolution and the other documents required by the Indenture, for authentication, registration and delivery to the Underwriter.

6. **Official Statement.** The City hereby consents to the circulation by the Underwriter of the Official Statement in offering the Bonds for sale; provided, however, that the City has not participated or been requested to participate in the preparation of the Official Statement or independently verified the information in the Official Statement and the City assumes no responsibility for, and makes no representations or warranties as to, the accuracy, sufficiency or completeness of such information.

7. **Changes in Forms Approved; Absent and Disabled Officers.** The approval hereby given to the various documents referred to above includes approval of such additional details therein as may be necessary and appropriate and such modifications thereof, deletions therefrom and additions thereto as may be necessary and appropriate and approved by the City Attorney, the appropriate City staff person or by the Officials authorized herein to execute or accept, as the case may be, said documents prior to their execution; and the Officials or staff members are hereby authorized to approve said changes on behalf of the City. The execution of any instrument by the Officials of the City herein authorized shall be conclusive evidence of the approval of such document in accordance with the terms hereof. In the event of absence or disability of any of the Officials, any of the documents authorized by this Resolution to be executed may be executed without further act or authorization of the City Council by any duly designated acting official, or by such other officials or officials of the City Council, as, in the opinion of the City Attorney, may act in their behalf.

8. **Program Bonds.** The Bonds are hereby designated "Program Bonds" and are determined to be within the "Economic Development Program" and the "Program," all as defined in Resolution 88R-021 of the City adopted January 29, 1988, and as amended by Resolution 97R-402 of the City adopted August 12, 1997.